

***LEARN  
FINANCIAL MANAGEMENT***

***BY: FATEMA DEWJI***

***DATE: 05/10/2019***



# Financial Management

Financial management is mainly concerned with the proper management of funds. The finance manager must see that funds are procured in such a manner that risk, cost and control considerations are properly balanced and there is optimum utilization of funds.



# *Benefits of Financial Management*

Reach your goals by making good decisions.

- Know your profitability
- Forecast your growth
- Plan for diversification, new product lines, reaching new markets with new customers
- Prepare for financing (loans)



# Objectives of Financial Management

- **Basic Objectives**
- **Other Objectives**

**Basic Objectives:** The basic objectives are

- Profit Maximisation
- Maintenance of liquid assets
- Wealth Maximisation



# Other Objectives

- ❖ Ensuring a fair return to shareholders
- ❖ Building up reserves for growth and expansion
- ❖ Ensuring maximum operational efficiency by efficient and effective utilization of finances.
- ❖ Ensuring financial discipline in the organization



# Need of Financial Management or Financial Decisions

- Financing Decisions
- Investment Decisions
- Dividend Decisions

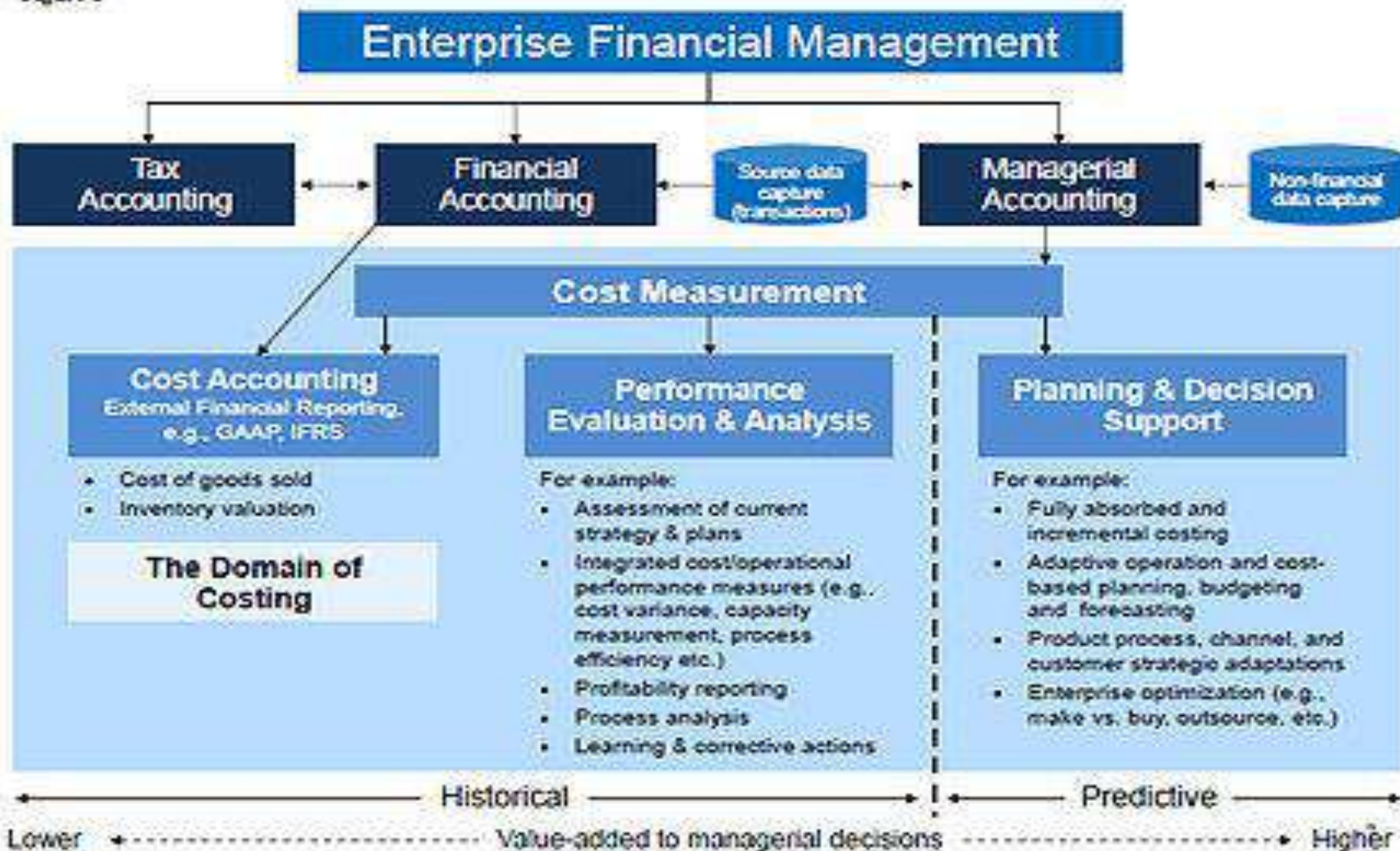


# Functional Areas of Financial Management

- Determining Financial Needs
- Selecting the source of Funds
- Financial Analysis and Interpretation
- Cost-volume-profit Analysis
- Capital Budgeting
- Working Capital Management
- Profit Planning and Control
- Dividend Policy



Figure 1





## 3 habits for successful financial management

Increase your savings in proportion with every spike in your salary



01

Repay debt consciously, carefully and on time while continuing to save

03



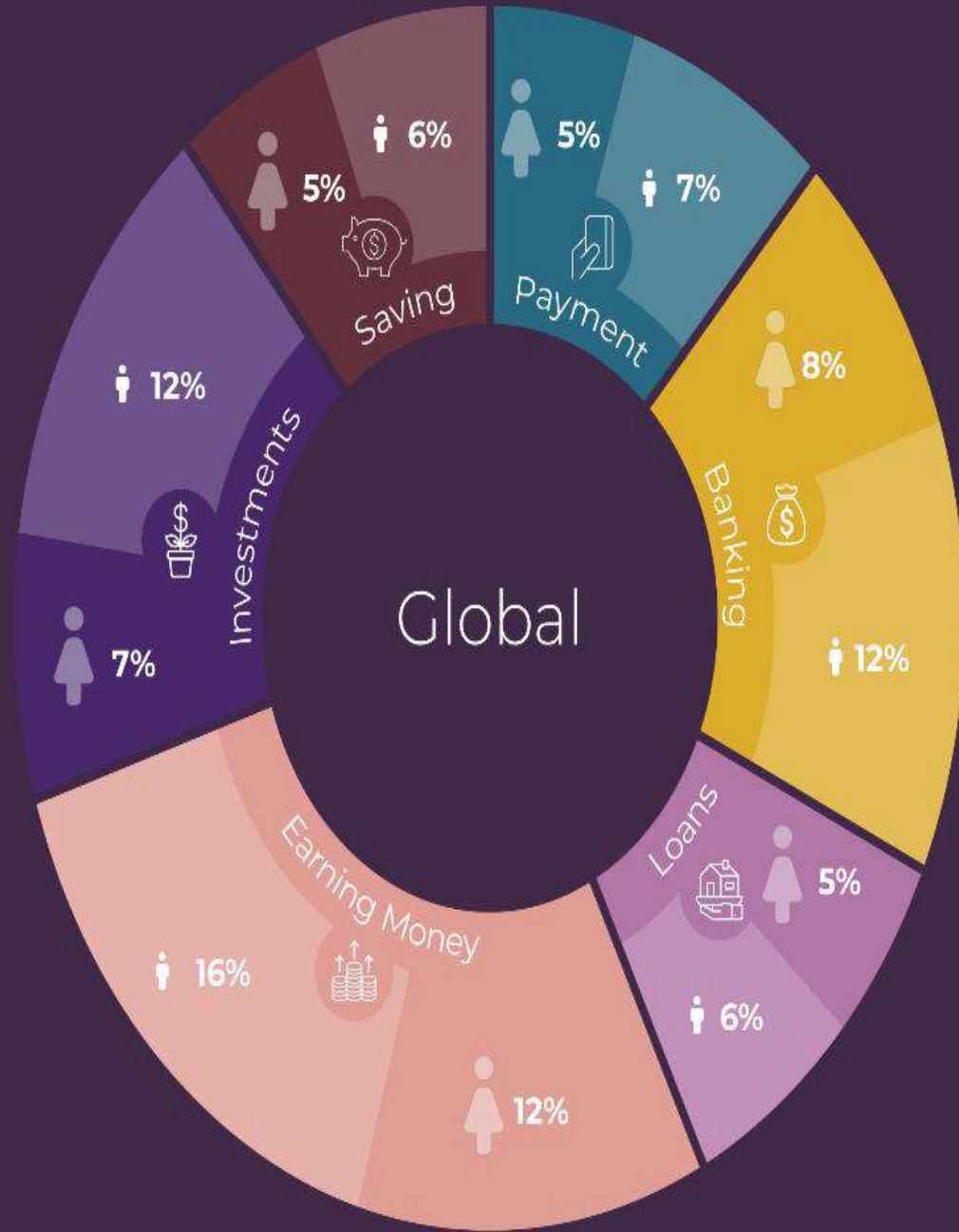
02

Learn to forecast your monetary needs and plan for them in advance



## Plan – Do - Review diagram





# *Profit and Loss Statement*

What is a Profit and Loss Statement?

P&L Statement:

- Measures revenues and expenses over a period of time
- Tracks profitability: whether the business is making a profit on what it sells



# *Profit and Loss Statement*

What is the basic formula for a Profit and Loss Statement?

+ Sales

- Cost of Goods Sold

---

= Gross Profit

- Overhead

---

= Net Profit



# ***EXPENSE REDUCTION***

- Cut production costs.
- Reduce office supply expenses.
- Lower financial expenditures.
- Modernize your marketing efforts
- Increase the Business.



# Why Financial Management is Important

Good practice Financial Management will:

- Help Organizations make effective and efficient use of resources to achieve objectives and fulfil commitment to stakeholders.
- Help Organizations gain confidence of funding Agencies, Partners and Beneficiaries.
- Give the advantage in competition for increasing scarce resources.
- Help Organizations prepare themselves for long term financial sustainability.



# Principles of Financial Management

There are seven guiding principles of Financial Management:

- Consistency
- Accountability
- Transparency
- Viability
- Integrity
- Stewardship
- Accounting standards





- **Consistency:**

Consistent use of Financial policies and procedures are for efficient operation.

- **Transparency:**

Organization must be open about their work , providing information about activities and plans to all stakeholders. This includes preparing accurate , complete and timely financial report.



- **Accountability:**

All stakeholders have the right to know how finance and other support are being used to meet objectives.

(Accountability is the moral and legal duty placed on an individual, group or organization to explain how funds, equipment or authority given has been used).



- **Viability:**

To be financial viable, an organization spending must be kept in balance with the money coming in, both at the operational and the strategic levels.

Viability is a measure organization use to determine their financial continuity and security.



- **Stewardship:**

Financial stewardship involves taking good care of the financial resources we are entrusted with to make sure they are used for the purpose intended .

In practice, organization achieve good stewardship through strategic planning, assessing financial risks and setting up appropriate system and control.



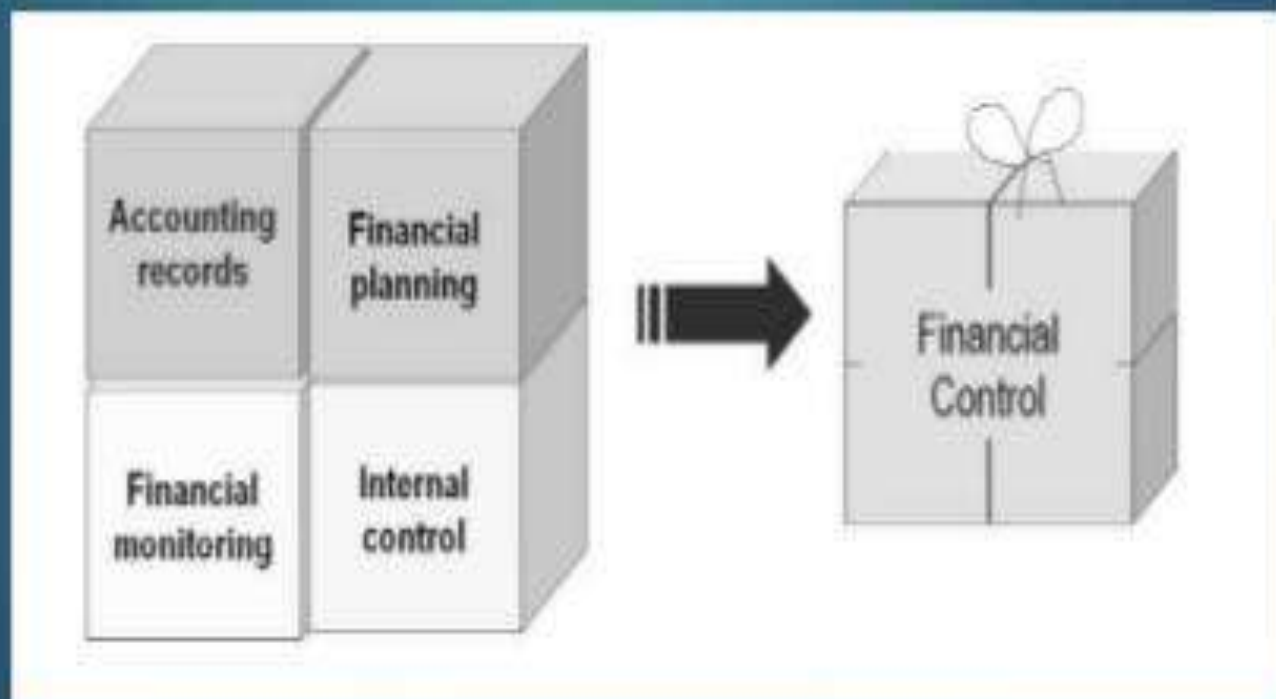
- Integrity:

The integrity of any organization financial records and reports are dependent on accuracy and completeness of the its financial records.



## The Four Building Blocks of Financial Management

There are four building blocks which must be in place to achieve best practice in financial management. They are:



|        | Cost 100   | Sales 100  | Profit 30       | 5 years  |
|--------|------------|------------|-----------------|----------|
|        |            | Disc @ 10% | PV @ 10%        | PV @ 20% |
| Year 0 | (100)      | 1          | (100)           | (100)    |
| Year 1 | 30         | 0.909      | 27.27           | 25       |
| Yr 2   | 30         | 0.826      | 24.78           | 21,      |
| Yr 3   | 30         | 0.751      | 22.53           |          |
| Yr 4   | 30         | 0.683      | 20.49           |          |
| Yr 5   | 30         | 0.621      | 18.63           |          |
|        | <u>150</u> |            | <u>113</u>      |          |
|        |            |            | (100) → NPV -13 |          |

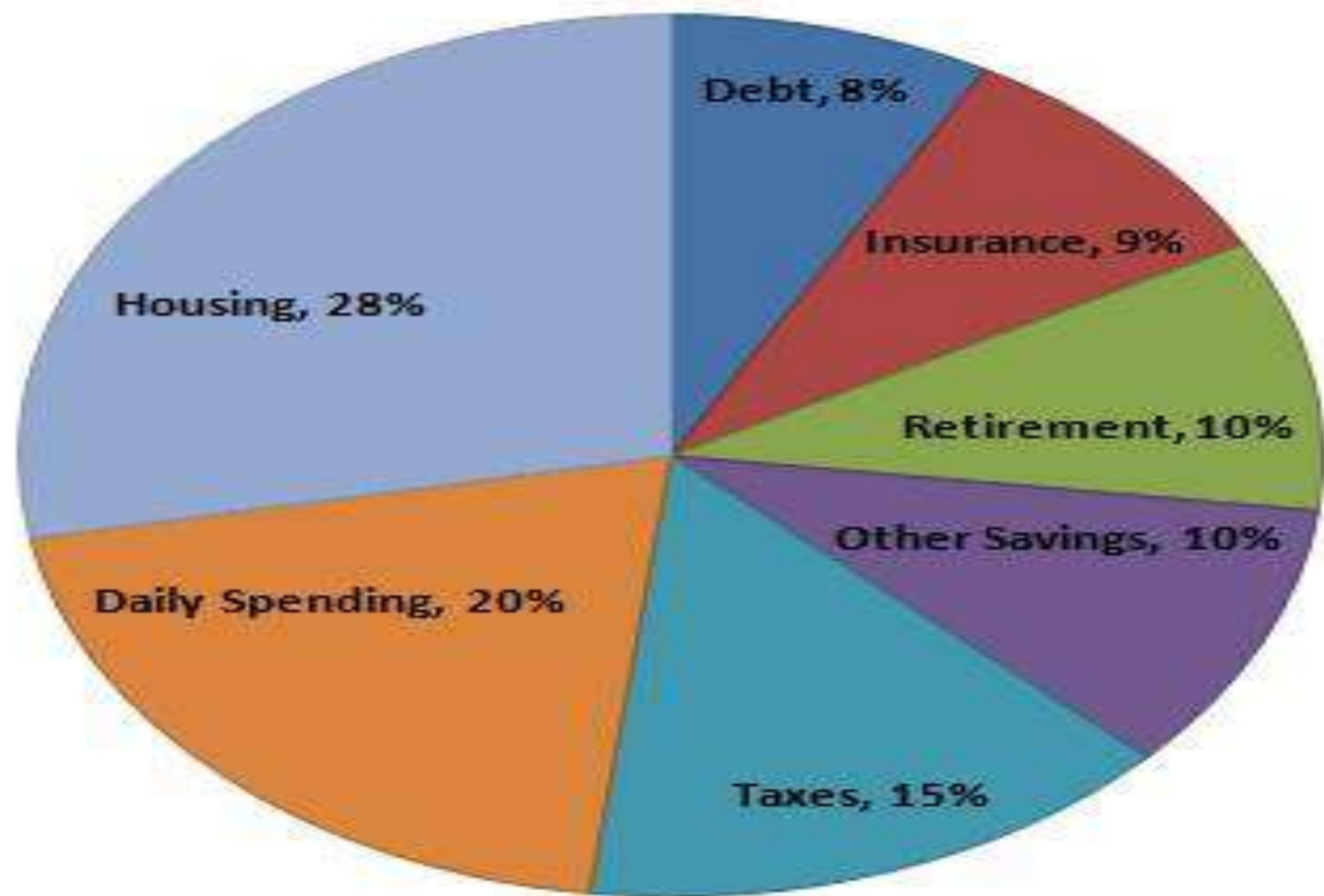


# What is Personal Finance?

- Financial management is a critical part of everyday life.
- Personal finance is learning how to manage our money to get most out of it.
- To become financially successful we need to learn how to plan and use money wisely.







Thank  
you

